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121. This Week's Cables (SBU)

BEEF

13. (SBU) Spinning Wheels on Beef

There has been considerable attention at high levels of government on both sides to the beef problem, but so far little progress to show for it. On the eve of the summit between PM Fukuda and President Bush, the GOJ continues to object to accepting the international standards set by the World Animal Health Organization (OIE) on beef trade.
For more details, please read Tokyo 5206 and Tokyo 5434.

14. (SBU) Ag Reform Going Backwards?

As the Scope has reported previously, the Liberal Democratic Party may be going backwards on the modest agricultural reforms it advanced during the previous Koizumi and Abe governments.

After suffering major setbacks in Upper House Diet elections last summer, particularly in rural areas, efforts at consolidation of the farming sector look set to be rolled back, at least in part. According to press reports, the LDP wants to expand the scope of the government's subsidy program to include smaller farms and cover a broader range of products.

The LDP is considering introducing a bill in the Diet early next year worth an additional 100 billion yen. A source at Japan

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Agriculture (JA), Japan's major agricultural cooperative and lobbying arm for small farmers, told us this week that previous efforts at consolidation had proven "hugely unpopular."

The organization was pleased to see the LDP doing its part to catch up with the opposition Democratic Party of Japan (DPJ) in slowing down recent reform efforts. Previous reforms had been implemented with the intention of boosting farm size in Japan and also making the government's support mechanisms for farmers slightly more WTO-friendly.

The JA source also indicated that the government will probably try to strengthen government control over rice production adjustments, which would represent a step backwards from previous efforts to be slightly more market-oriented.

Senior LDP officials have been visiting farm areas - including districts where the DPJ defeated LDP incumbents in the last election - to drum up support.

15. (SBU) Montana State Officials Discuss Beef in Kumamoto -Their Sister State

A trade delegation led by Montana Lt. Governor John Bohlinger visited Kumamoto during a week-long tour of Japan to promote U.S. beef and gain a better understanding of the issues surrounding U.S. beef exports to Japan.

Consulate Fukuoka briefed the delegation on the state of the Kyushu economy. During discussions regarding current efforts of the USG to eliminate all age restrictions on U.S. beef, the delegation noted that the GOJ's proposed limit of 30 months would open the market to nearly 99 of all U.S. beef products.

Delegation members expressed serious concerns about Canadian beef, which they worry might be imported into Japan under the label of American beef. According to U.S. Meat Export Federation (USMEF) figures, Canadian beef imports are less than 10 percent of U.S. imports and are currently only sold wholesale to restaurants in central Japan.

During their visit to Kumamoto, Lt. Gov. Bohlinger, Sen. Greg Barkus and Miss Rodeo Montana also hosted a booth at the annual Country Gold International country music festival in Kumamoto in conjunction with the USMEF's American beef promotion booth, which sold 200 kilograms of prime rib, raising \$7,000 for Charity.

MOD SCANDAL

16. (SBU) MOD Announces \$370,000 NVG Fraud

Ministry of Defense (MOD) officials informed the DHS-ICE Attach November 13 that MOD intended to make a public statement concerning a 2006 fraudulent order of night vision goggles (NVGs), valued at approximately \$370,000.

The U.S. Immigration and Customs Enforcement (ICE) Attach has been investigating allegations that Fresco International, a trading company located in Elmsford, New York and Science Technology Trading (STT), a Tokyo firm, conspired to illegally export and sell to MOD 136 sets of NVGs purportedly manufactured by Northrop Grumman. DHS-ICE Attach has examined documentation for the transaction and determined MOD received a knock-off generic NVG instead of the Northrop Grumman item called for in the MOD sales contract with STT.

DHS-ICE is examining whether FRESCO INTERNATIONAL falsified documents submitted to Department of State to obtain the export license.

On November 5, 2007, the President of STT informed MOD the NVGs were not manufactured by Northrop Grumman and STT would return all money received plus a 10% penalty.

HEALTH AND SOCIAL ISSUES

17. (U) Court Rules No Ground for Ban on Kongo Shinryo (Mixed

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Treatment)

On November 7, the Tokyo District Court ruled illegal the Government's regulation requiring patients bear the entire cost of medical treatment should a portion of that treatment not be covered by Japan's national health insurance (see Tokyo 5080).

On November 9, Health, Labor and Welfare (MHLW) Minister Masuzoe announced at a press conference that the Ministry will appeal the ruling, and will not change its stance on the regulation for the time being. Masuzoe noted the Ministry is cautious about revising the current system due to concerns doctors may over-prescribe medicines not yet proven to be safe. He added, however, that MHLW will consider the ruling seriously and will start discussions within the Ministry's advisory panel.

Also on November 9, the Japan Medical Association (JMA), a politically powerful lobbying group, announced the court had ruled only on the lack of legal grounds for the regulations, which does not necessarily mean that mixed treatment will be allowed in the future.

The JMA plans to urge the GOJ to establish the legal framework necessary to continue the ban.

18. (U) Niigata Proposes Special Zone for Foreign Doctors to Practice Medicine

On November 8, Niigata prefecture submitted a proposal to the central government to create a "special zone" in which foreign doctors without a Japanese medical license but who had studied or

trained in Japan could practice medicine.

Established under former Prime Minister Koizumi, special zones allow Japan to implement reform on a trial basis in a limited area with an eye to expanding the measure nationwide if successful.

The current proposal is an attempt to address the critical shortage of physicians in rural areas throughout Japan. A Niigata prefecture government official told us that, while the central government has rejected similar proposals before, Niigata is hopeful the gravity of the doctor shortage will result in an approval this time.

"Time is running out," he said. The Cabinet and related ministries will discuss the request between December and January, with a final decision in February, the official said.

19. (SBU) Japan: 91 of 128 in Gender Equality

Japan ranked 91 of 128 countries in a gender equality study released by the World Economic Forum. It slipped eleven places from the 2006 rankings.

Rated on economic participation, educational opportunities, health, and political empowerment, Japan fared worse in the study than the Philippines, China, Cuba, and Vietnam. It fared best in the health category and worst in economic opportunities and political empowerment. The United States ranked 31 on the list.

INFRASTRUCTURE

10. (SBU) Government to Grant Licenses for Next-generation Wireless Internet

According to a Nikkei report, the Ministry of Internal Affairs and Communication (MIC) is expected to issue licenses for next-generation, high-speed wireless Internet services to consortia led respectively by KDDI and Willcom in mid-December.

The groups led by KDDI and Willcom are expected to beat out rival groups involving DoCoMo and Softbank in competition for the two licenses. The subtext is that MIC, wanting to promote competition and open the market further, required that bids come from new market entrants. Three of the four bids, however, came from groups formed by the dominant cell phone carriers NTT DoCoMo, KDDI and Softbank, although they were prohibited from holding more than a one third stake in the venture.

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KDDI was reportedly successful because of its strong business plan and because it began developing the technology in 2003, well before the others. Willcom aims to develop a next-generation PHS (personal handy phone system) service offering high-speed data transmission based on proprietary technology.

The new wireless broadband services are expected to offer communication speeds 10 times faster than those available via current third-generation mobile phone services.

11. (U) Report Proposes Anonymous Complaints (MIC seeking public comments)

MIC is soliciting until December 11th public comments regarding 'Implementation Guidelines for Submission of Opinion System in the field of Telecommunications'. This is in response to another draft committee report under the 'New Competition Promotion Program 2010.' Click here.

This discussion advances a recommendation under the 'New Competition Promotion Program 2010' to strengthen the dispute settlement mechanism by establishing guidelines to allow for anonymity in the submission of opinions. One potential use will be for telecom carriers to file complaints about the business practices of

competitors, which MIC can then investigate.

¶12. (U) Chubu Electric Only Electric Utility to Increase Profitability

Bolstered by continuing strength in the manufacturing sector and the exceptionally hot summer, Nagoya-based Chubu Electric Power Company (CEPCO) was the only one of the ten major electricity suppliers in Japan to increase its profitability in the first half of JFY07 ending September 30.

With a year-on-year 7.3 percent increase in sales to 1.18 trillion yen (\$10.7 billion), CEPCO's pretax profit soared 33 percent to 146 billion yen (\$1.3 billion) for the half year. Surging oil prices weighed heavily on utilities nationwide, but in addition to strong demand, CEPCO benefited from an increase in the nuclear share of its overall power generation.

PAN-ASIA ISSUES

¶13. (SBU) Koizumi Advocates Reform in Singapore Speech

In a keynote address to Morgan Stanley's Asia-Pacific Summit in Singapore on November 13, former PM Koizumi rejected claims that "excessive" reform had led to the Liberal Democratic Party's (LDP) defeat in July's Upper House election. "Nonsense," he said. "If Japan is suffering, it is suffering from too little reform, not too much."

Koizumi added that if the parties do not offer reform, party reorganization is "clearly possible" and that Japan's next general election will define Japan's economic and political vision "for the next decade."

Notably, Koizumi has not given speeches of this kind inside Japan since ending his term as prime minister. Japanese media covered the basics of the speech, but it has not attracted widespread attention. Koizumi delivered his prepared remarks in English and responded to questions through an interpreter.

TRADE

¶14. (U) FTC Commissioner Meets with GOJ

Japanese officials who met with Federal Trade Commission (FTC) Commissioner Pamela Jones Harbour November 8 showed interest in stronger cooperation with the United States on antitrust issues as well as in initiatives related to e-commerce and consumer protection.

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The Japan Fair Trade Commission Chairman hoped for stronger ties with the United States and the EU in dealing with international cartels. Relevant officials of the Cabinet Office and the Ministry of Economy, Trade, and Industry (METI) were supportive of an APEC initiative on e-commerce privacy, but could not yet confirm GOJ participation. METI is also looking to establish a working-level dialogue with the FTC on Internet regulation.

Tokyo 5232 summarizes the Commissioner's meetings.

¶15. (SBU) Keidanren, Others, Issue Another Statement in Support of Doha

A delegation from the Japan Business Federation (Keidanren) visited Geneva to push for a successful conclusion to the Doha Development Round November 5-7.

Keidanren joined with other like-minded associations - including the National Association of Manufacturers (NAM) and the Chinese National Federation of Industries - to issue a statement in support of the round (see statement below).

A successful conclusion to the negotiations would "deliver a huge boost to global economic growth and development," the organizations asserted.

While in Geneva, representatives from the organizations met with WTO Director General Pascal Lamy and key people in the different negotiating committees.

Keidanren's visit came less than a week after Japan's main agricultural protectionist lobbying group, Japan Agriculture (JA), sent its chairman, Isami Miyata, to Geneva to deliver a cautious message against too sweeping a deal.

MONEY MATTERS

¶16. (U) BOJ Holds the Line at 0.5 percent

The Bank of Japan's Board of Governors voted 8-1 to hold the key overnight call rate target at 0.50 percent on November 13. Since raising the rate from 0.25 percent in February, the BOJ has held the line in 11 successive meetings, a decision to be revisited at the next policy board meeting on December 19-20; markets are pricing a rate hike no sooner than next year, however.

16a. (U) Third Quarter GDP Numbers Grow

Japan's real Gross Domestic Product (GDP) grew at a 2.6 percent annualized rate in the third quarter of 2007, stronger than the 1.9 percent consensus forecast, and rebounding substantially from the 1.6 percent decline in the preceding quarter.

¶17. (U) Sinking FIEL-ing: Investment Trust Funds Flow Weaken

Largely reflecting the late September introduction of new regulations under the Financial Instruments and Exchange Law (FIEL) and recent financial market volatility due to sub-prime mortgage loan problems, the flow of funds into investment trust products slowed notably in October.

On November 13, the Japan Investment Trusts Association (JITA) announced that the outstanding balance of publicly and privately placed investment trusts totaled yen 123.0 trillion (\$1.1 trillion) at the end of October, representing an increase of yen 2.2 trillion (\$20 billion) from the previous month. However, this is sizably smaller than a yen 4.0 trillion (\$36 billion) month-to-month increase in September.

¶18. (U) Fukuda Nixes Consumption Tax Hike

Prime Minister Fukuda indicated to reporters on November 15 that tax reform proposals for fiscal year 2008 would not include a consumption tax increase, dispelling speculation that the

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consumption tax rate might be subject to an increase in the upcoming tax cycle.

AUTO

¶19. (U) Very Green! Tokyo's 40th Annual Motor Show Highlights New Atmosphere Friendly Cars

Presented with wall murals of open green fields and windmills, the 40th Tokyo Motor Show 2007 closed its seventeen-day event on November 11. At the opening ceremony, Transport Minister Fuyushiba stressed Japan's eco-friendly stance by remarking that it will aggressively promote the world's strictest automobile emissions standards. He also noted that there is an ever-increasing public interest in environmental issues in Japan as it will host the G8 Summit in July 2008.

A total of 1,425,800 visitors witnessed the latest eco-car and other sophisticated technology developments in the auto industry. Toyota sported a new hybrid car whose fuel efficiency will be only half of that of Prius by adopting carbon fiber for the body material and a small (500cc) engine. Honda featured a fuel cell car that protects passengers during minor traffic accident with a shock-absorbing silicon surface. BMW sported a hydrogen car that recorded the maximum speed of 302.4km/h and has attained the same fuel cost as normal gasoline cars in Germany. The Japan Automobile Manufacturers Association Inc. (JAMA) sponsored the event and hosted 246 exhibitors.

SPORTING NEWS

120. (U) World Series Champions to Open 2008 Season in Japan

After months of negotiations and mounting speculation, Major League Baseball finally announced November 14 that the Boston Red Sox will open its 2008 season in Japan. Red Sox Nation has already expanded to this corner of East Asia, but the announcement has created a buzz for the Japanese fans of the world's best baseball team. There is one small complication: according to press reports, Daisuke Matsuzaka's wife is expecting a baby around the same time and reportedly she wants to have it in the United States.

Whether the Red Sox ace Japanese right hander will be in Tokyo for the face off between the Red Sox and the Oakland A's, remains to be seen.

121. (SBU) THIS WEEK'S CABLES

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5236 Decision time for opposition as OEF bill reaches Upper House
5235 Ministry of Finance objects to SMA offer
5234 Beef trade: with summit looming, GOJ still bulks at moving to international standards
5232 FTC Commissioner Harbour meetings with GOJ
5231 Japanese official see benefit in new North American chemicals regime over the EU's reach
5224 Japan will oppose amendments to resolution condemning rape
5221 STAS meeting on U.S. - Japan framework initiative for a safe and secure society
5219 Komeito lawmaker analyzes Ozawa's strategy, Diet mechanics
5206 Ambassador discusses beef with VFM Yachi
5203 Japan will attend ADPD breakfast, still unsure about participation
5197 Japan, New Zealand sign strategic oil reserve pact
5196 Japan: from growing the pie to handing out pork?
5194 Response to: terrorist finance
5193 Japan opposes restricting PDG membership
5192 Burma: slain videographer's Burmese interpreter now in Japan
5177 EAP DAS Arvizu's meetings with MOFA, MOD officials on alliance issues